1999 Country Reports on Economic Policy and Trade Practices
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HAITI

Key Economic Indicators

(Millions of U.S. Dollars unless otherwise indicated)

	1997	1998	1999 /1
Income, Production and Employment:			
GDP 2/	3429	3800	4115.4
Real GDP Growth (pct) 3/	1.1	2.9	2.26
GDP by Sector:			
Agriculture	-2.4	0.5	2.5
Manufacturing	0.6	5.5	1.2
Services	0.5	1.2	2.4
Government	-0.2	N/A	N/A
Per Capita GDP (US$)	458	497	506
Labor Force (000s)	4,100	4,290	4380
Unemployment Rate (pct)	65	70	70
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	21.7	7.0	14.7
Consumer Price Inflation	17.0	8.2	9.9
Exchange Rate (Gourde/US$ annual average)			
Market	16.9	16.8	16.94
Balance of Payments and Trade: 4/			
Total Exports FOB 5/	195.5	284.3	353.4
Exports to U.S. 6/	188	210	N/A
Total Imports FOB 5/	588.8	-659.8	-772.9
Imports from U.S. 6/	512	515	N/A
Trade Balance 5/	-393.3	-375.5	-419.5
Balance with U.S. 6/	-324	-305	N/A
Current Account Deficit/GDP (pct)	2.9	5.8	6.3
External Public Debt	1025	1086	1140
Debt Service Payments/GDP (pct)	0.9	1.2	0.62
Fiscal Deficit/GDP (pct)	0.5	1.1	1.7
Gold and Foreign Exchange Reserves (net)	162.5	194.8	218.3
Aid from U.S. 7/	145	N/A	N/A

Aid from All Other Sources	428	N/A	N/A

1/ 1999 figures are all estimates based on available monthly data in November. Fiscal year is October-September. Fiscal year data used because calendar year data is unavailable in many cases.

2/ GDP at factor cost at 1976 prices.

3/ Percentage changes calculated in local currency.

4/ US and Haitian import/export data may vary as a result of different statistical practices. Data in Haiti are not reliable. Technical assistance is being provided to the Haitian Government to improve data collection procedures.

5/ Merchandise trade for calendar year; does not include U.S. goods imported for processing and re-exported under the Caribbean Basin Initiative.

6/ Source: U.S. Department of Commerce and U.S. Census Bureau; exports FAS, imports customs basis; 1998 figures are estimates based on data available through November. Figures include substantial amounts of U.S. goods imported for processing and re-exported under Caribbean Basin Initiative.

7/ New commitments; USAID includes program assistance, budget support, and support for peacekeeping operations and police.

Sources: Various, including IMF. Where several data sets existed we have used those numbers provided by USAID.

1. General Policy Framework

Haiti has a predominantly agriculture-based, market-oriented economy. Historically, Haiti's economic performance has been strongly influenced by the United States, its principal trading partner and largest bilateral aid contributor. Following the restoration of President Jean-Bertrand Aristide on October 15, 1994, Haiti embarked on an economic program based on macroeconomic stabilization, trade liberalization, privatization, civil service reform, and decentralization. The government reduced tariffs to a maximum of 15 percent.

In 1995, the Aristide government began to slip on its commitments to international financial institutions. Inadequate implementation of privatization, civil service reform, and other structural reforms tied to loans from the IMF and World Bank thwarted a scheduled signing of the Structural Adjustment Credit and the Enhanced Structural Adjustment Facility, and prompted the resignation of Prime Minister Smarck Michel.

President Rene Preval took office in March 1996 and immediately moved to implement the structural adjustment program. The government proceeded to control expenditures and eliminate some 1,500 "ghost employees." By September, parliament passed civil service reform legislation and a modernization law to enable the government to proceed with privatization through the granting of management contracts, concessions, or "recapitalizations" (the forming of joint ventures with private investors through partial divestitures of state-owned enterprises). By mid-September of 1998, a total of nearly 2,250 “ghost” employees had been removed from the government payroll, saving the Haitian treasury $5.9 million per year. A further 2,000 people have been processed by the government for early retirement or voluntary departure.

However, by late 1999 the government appeared to have slipped from its commitments both to privatization and to civil service reform. Although almost 5000 employees had been removed from government payrolls by the end of 1998, by July 1999 government expenditures on salaries had crept back to July 1998 levels, and hiring was on the rise. Further, only the two least complicated of a planned seven privatizations had taken place. With legislative elections slated for March 2000, followed by presidential elections late in the year, the chance of forward progress on privatization appears remote despite government promises to the contrary.

The government maintained reasonably strict macroeconomic discipline during 1999. GDP growth hovered around 3 percent for both 1998 and 1999. Inflation fell from 18 percent in 1997 to 7 percent in 1998. By late 1999, inflation had crept past 9 percent and the previously stable gourde had begun to slip against the dollar. The triple pillars of international aid, remittances from the approximately one million Haitians living abroad and, increasingly, narcotics trafficking continue to prop up Haiti's economy.

Reserve requirements (which currently stand at 30 percent for primary reserves) have been the central bank's primary monetary policy tool. They have been used to control the money supply and to assist in the financing of the public sector debt. Since November 1996, the central bank has successfully conducted bond auctions to control liquidity in the economy, which allow for lower reserve requirements. The central bank has a rediscount facility and a lending facility for commercial banks. Use of the rediscount facility has been limited by a lack of eligible financial paper to rediscount. Use of the lending facility has been limited by the relatively high interest rate charged (usually the legal maximum), and low legal limits relative to bank capital on the amounts commercial banks can borrow. An interbank market also exists.

2. Exchange Rate Policy

For decades Haiti's currency, the gourde, was officially tied to the U.S. Dollar at the rate of five to one. A parallel market for foreign exchange emerged in the early 1980s, but for several years the official exchange rate continued to hold for some transactions. On September 16, 1991, the central bank ceased all operations at the official rate. In April 1995, the central bank abolished the 40 percent surrender requirement of export earnings. Haiti now has no exchange controls or restrictions on capital movements. Dollar accounts are available at local commercial banks. The gourde is allowed to float freely relative to the dollar and other currencies. The exchange rate gently declined from 15.5 to 17 gourdes per dollar during FY 97 and remained between 16 and 17 gourdes per dollar throughout 1998 and most of 1999. By late 1999, the gourde had slipped to 18 and appeared poised to slip further. Some critics of tight central bank monetary policy, particularly in the banking and export sectors, feel the gourde has become overvalued and might face swifter depreciation in the future. This and a possible increase in government spending during an election year may precipitate further exchange rate declines during 2000.

3. Structural Policies

The government's role in Haiti's market-oriented economy has been sharply reduced since 1994-95. In the few cases where the government has attempted to control prices or supplies, its efforts were frequently undercut by contraband or overwhelmed by the sheer number of small retailers. Consumer prices are governed by supply and demand, though the small Haitian market is imperfect for determining some prices. Gasoline pump prices and utility rates are more effectively regulated, and are probably the only exceptions to market prices. Haitian law adjusts gasoline pump prices within a pre-determined band to reflect changes in world petroleum prices and exchange rate movements. High international market prices in late 1999 are forcing the GOH to consider raising the band and hence the final pump price. Prices in late 1999 effectively have the GOH subsidizing the cost of kerosene.

Haiti's tax system is inefficient. Direct taxes on salary and wages represent only about 25 percent of receipts. Moreover, tax evasion is widespread and taxpayers were previously not registered with the tax bureau, Direction Generale des Impots (DGI). Not surprisingly, the government has made improved revenue collection a top priority. The DGI has organized a large taxpayers' unit which focuses on identifying and collecting the tax liabilities of the 200 largest corporate and individual taxpayers in the Port au Prince area, which are estimated to represent over 80 percent of potential income tax revenue. In mid-1999, the GOH created a State Secretary for Revenue to coordinate and oversee both Customs and DGI operations with a view toward increasing receipts from each. Efforts were also made to identify and register all taxpayers through the issuance of a citizen taxpayer ID card. In addition, the value added tax has been extended to include sectors previously exempt (banking services, agribusiness, and the supply of water and electricity). Both DGI and Customs made revenue collection a priority in 1999 and have continued to increase revenues. Nevertheless, in general, collection remains sporadic and inefficient.

4. Debt Management Policies

Following the 1991 coup which ousted President Aristide, Haiti suspended all payments on its foreign debt. When President Aristide returned to office in October 1994, Haiti's arrears with the International Financial Institutions (IFIs) totaled some $84 million. The international community made it an immediate priority to clear Haiti's arrears with IFIs so that new lending could begin.

On May 30, 1995, the Paris Club agreed to reschedule all of Haiti's bilateral debt to Paris Club members. Roughly two-thirds of this debt ($75 million) was forgiven under “Naples” terms. The balance was rescheduled over 26-40 years. An overwhelming percentage (91 percent in FY 1995, 85 percent in FY 1996) of Haiti's debt is in concessional loans from IFIs. These loans typically have 10-year grace periods, 40-year payback periods, and below-market interest rates.

Haiti's external public debt rose to about 28.7 percent of GDP in FY 98 (from 34 percent at the end of FY 96). Haiti’s external debt service has risen to about 8.4 percent of exports of goods and services in 1998 from 12 percent a year earlier. Final FY 99 figures are not yet available. With continued progress on economic reform and a modest debt service burden, GOH officials believe the country should be able to meet all its obligations in a timely manner.

5. Significant Barriers to U.S. Exports

With the lifting of all economic sanctions against Haiti, the sharp reduction in tariffs, and the government's decision to remove all import licenses and the 40 percent foreign exchange surrender requirement on export earnings, there are few significant barriers to U.S. exports.

Nevertheless, a number of fees and taxes continue to be levied on commodities imported into Haiti (i.e. verification fee, excise tax, etc.) The resumption of normal trade in October 1995 unleashed tremendous pent-up demand for U.S. goods. While the demand for U.S. goods remained strong in 1999, political and economic uncertainty significantly constrained growth. The import of firearms and other weapons into Haiti is controlled for foreign policy reasons. Haitian importers must obtain a license to purchase such goods from U.S. suppliers. Haiti's efforts to facilitate inward investment are insufficient to significantly draw all but the most intrepid foreign investors. The newly founded, Taiwan-financed Center for Promotion of Investment hopes to address the problems Haiti has had in promoting investment and exports.

6. Export Subsidies Policies

Haiti has no export subsidy programs.

7. Protection of U.S. Intellectual Property

While infringement of intellectual property rights occurs in Haiti, the economy only produces a small variety of products, most of which are for export to the United States and other countries that do not tolerate open infringement. Most manufactured goods sold here are imported. The most recent example of intellectual property rights infringement was the broadcast of a recently released U.S. film on a Haitian cable TV station last year. This was taken up with the Haitian authorities and has not happened again. Pirated video and audio cassettes are widely available and of poor quality.

Although the legal system affords protection of intellectual property rights, weak enforcement mechanisms, inefficient courts, and poor judicial knowledge of commercial law dilute the effectiveness of this statutory protection. Moreover, injunctive relief is not available in Haiti, so the only way to force compliance (should it become necessary) is to jail the offender. Efforts to reform and improve the Haitian legal system, now being undertaken with the assistance of international advisors, may prevent more extensive abuse of intellectual property rights as Haiti's economic recovery progresses. The Ministry of Commerce is working on legislation to protect intellectual property rights.

Haiti is signatory to the Buenos Aires Convention of 1910 and the Paris Convention of 1883 with regard to patents, and to the Madrid Agreement with regard to trademarks, and is a member of the World Intellectual Property Organization. However, Haiti is not a signatory to the Berne Convention.

8. Worker Rights

a. The Right of Association: The constitution and the labor code guarantee the right of association and provide workers, including those in the public sector, the right to form and join unions without prior government authorization. The law protects union activities, while prohibiting closed "union shops." The law also requires unions, which must have a minimum of ten members, to register with the Ministry of Social Affairs within 60 days of their formation.

Six principal labor federations represent about five percent of the total labor force, including about two to three percent of labor in the industrial sector. Each maintains some fraternal relations with various international labor organizations.

b. The Right to Organize and Bargain Collectively: The labor code protects trade union organizing activities and stipulates fines for those who interfere with this right. Unions are theoretically free to pursue their goals, although government efforts to enforce the law are non-existent. Unions complain that employers do not allow unions access to workers, and individuals who attempt to join unions risk being fired. Organized labor activity is concentrated in the Port-au-Prince area, in state enterprises, the civil service, and the assembly sector. The high unemployment rate and anti-union sentiment among some factory workers has limited the success of union organizing efforts. Collective bargaining is nearly nonexistent, especially in the private sector. Employers can generally set wages unilaterally, in compliance with minimum wage (currently approximately $2 per day) and overtime standards.

Haiti has no export processing zones, and the labor code does not distinguish between industries producing for the local market and those producing for export. Employees in the export-oriented assembly sector enjoy wages and benefits above the legal minimums, largely through piecework . Wages appear to be somewhat higher in the more capital-intensive industries producing for the local market.

c. Prohibition of Forced or Compulsory Labor: The labor code prohibits forced or compulsory labor. However, some children continue to be subjected to unremunerated labor as domestic servants. Rural families are often too large for the adult members to support, and children are sometimes sent to work for urban families in exchange for room, board and schooling. Reports of abuse are common, but the Ministry of Social Affairs rarely exercises its authority to remove children from abusive situations.

d. Minimum Age for Employment of Children: The minimum employment age in all sectors is 15 years. Fierce adult competition for jobs ensures that child labor is not a factor in the industrial sector. As in other developing countries, rural families in Haiti often rely on their children's contribution of labor in subsistence agriculture. Children under 15 commonly work at informal sector jobs to supplement family income.

e. Acceptable Conditions of Work: Annually, a minimum wage worker earns about $670, an income considerably above the per capita gross domestic product, but sufficient only to permit the family to live in very poor conditions. The majority of Haitians work in subsistence agriculture, a sector where minimum wage legislation does not apply.

The labor code governs individual employment contracts. It sets the standard workday at 8 hours, and the workweek at 48 hours, with 24 hours of rest on Sunday.

The code also establishes minimum health and safety regulations. The industrial and assembly sectors largely observe these guidelines. The Ministry of Social Affairs does not, however, effectively enforce work hours or health and safety regulations.

With more than 50 percent and possibly 75 percent of the active population unemployed or underemployed, workers are often not able to exercise the right to remove themselves from dangerous work situations without jeopardy to continued employment.

f. Rights in Sectors with U.S. Investment: U.S. direct investment in goods-producing sectors in Haiti is limited, consisting of ownership of two garment factories and a very few joint ventures. In general, conditions differ little from other sectors of the economy. Wages paid in these industries tend to be above the legal minimum, and in the case of industries producing for the local market, often a multiple of the legal minimum. Employers in these sectors frequently offer more benefits than the average Haitian worker receives, including free medical care and basic medications at cost.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 1998

(Millions of U.S. Dollars)

Category	Amount	
Petroleum		(1)
Total Manufacturing		0
Food & Kindred Products	0	
Chemicals & Allied Products	0	
Primary & Fabricated Metals	0	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	0	
Transportation Equipment	0	
Other Manufacturing	0	
Wholesale Trade		0
Banking		(1)
Finance/Insurance/Real Estate		(1)
Services		1
Other Industries		0
TOTAL ALL INDUSTRIES		32

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.